

TO: State Directors, Rural Development
Centralized Servicing Center

ATTN: Program Directors, Area Directors, Area Loan Specialists, and
State Environmental Coordinators

FROM: James C. Alsop (*Signed by James C. Alsop*)
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SUBJECT: Rural Development Use of Federal Emergency Management Agency
Form 81-93, "Standard Flood Hazard Determination"

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance on the use of Federal Emergency Management Agency (FEMA) Form 81-93, "Standard Flood Hazard Determination." This form is required by the National Flood Insurance Reform Act (NFIRA) of 1994. A contract for completion of this form has been issued for many program areas in Rural Development as explained within this AN.

COMPARISON WITH PREVIOUS AN:

This replaces RD AN No. 4315 (426.2), which expired on November 30, 2008, and revises an Unnumbered Letter of September 19, 2008. Additional guidance in using the new contract for completion of the FEMA form has been added, along with other minor revisions to conform to FEMA's "Mandatory Purchase of Flood Insurance Guidelines" issued in September 2007. The FEMA guidelines are available at: <http://www.fema.gov/library/viewRecord.do?id=2954>.

EXPIRATION DATE:
April 30, 2010

FILING INSTRUCTIONS:
Preceding RD Instruction 426.2

IMPLEMENTATION RESPONSIBILITIES:

Pursuant to the NFIRA, all Federally regulated lenders and Federal agency lenders are required to use the Standard Flood Hazard Determination Form (SFHDF) as developed by FEMA and implemented effective January 2, 1996.

RD Instruction 426.2, was issued to comply with the National Flood Insurance Act, and is currently being re-written to reflect the requirements of the NFIRA.

The SFHDF (FEMA Form 81-93) is required when a Federally regulated lending institution or a Federal agency lender uses a mortgage instrument to secure loans or guarantees on improved real estate that includes a building to determine if Flood Insurance will be required on that building. "Building" means a structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site; or a manufactured home (also known as a mobile home, which is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or a travel trailer without wheels, built on a chassis and affixed to a permanent foundation that is regulated under the community's floodplain management and building ordinances or laws. "Building" does not mean a gas or liquid storage tank or a recreational vehicle, park trailer, or other similar vehicle, except as described above. Underground utility lines and underground pumping stations are not "buildings."

- **For direct/insured loans:** The SFHDF must be completed and signed by the loan official responsible for preparing the environmental review of the applicant's proposal if the SFHDF is not provided by contract. An intermediary will also complete and sign a SFHDF when that intermediary makes a loan or grant to a third party using USDA-Rural Development funds. For environmental documents prepared under 7 CFR part 1794, Rural Utilities Programs Environmental Policies and Procedures, the applicant's consultant is responsible for completing the Form. Signatures are to be provided in Section F of the SFHDF when completed by Agency staff.
- **For guaranteed loans:** Since use of the SFHDF was mandated for Federally regulated lending institutions effective January 2, 1996, guaranteed lenders must submit a completed SFHDF as part of all requests for guaranteed financial assistance, if the financial assistance involves a mortgage on a "building" as described above.
- **Exceptions:** The following are some examples where flood insurance is not required:
 - 1) The National Flood Insurance Program does not insure land, and the law does not address mortgages secured by land alone (without buildings);
 - 2) Flood insurance is not required for a loan financing inventory where the secured collateral is stored in a building located in a Special Flood Hazard Area (commonly referred to as the 100-year flood plain) and the building is not security for the loan;

- 3) Small loans made with an original outstanding principal balance of \$5,000 or less, and with a repayment term of 1 year or less. The dual criteria must be met in order for this exemption to apply; and
- 4) If the security property is Federal or State-owned and covered by adequate policies of self-insurance (refer to the list at 44 CFR, Chapter 1, Part 75), flood insurance is not required. This does not apply to county- or city-owned property.
- **Contract:** An Unnumbered Letter (UL) dated September 19, 2008, announced the expansion of the contract for completion of the SFHDF. Formerly, only direct Single Family Housing loans were authorized to use the contract, but now it may be used for most direct loans and grants, except those in Multi-Family Housing and Utilities Programs. You may use this contract without any additional charge to the applicant (this is a correction to that UL). For all guaranteed loans, the guaranteed lender is to provide the SFHDF to the Agency since they are also subject to the NFIRA requirements, so use of the contract is not authorized for guaranteed loans. For loans and grants to intermediaries, the intermediary is expected to complete the SFHDF, so the contract will not be used for intermediary relending. However, Agency staff may use the contract to spot check the accuracy of the SFHDF provided by guaranteed lenders or intermediaries when a determination cannot be made by viewing the applicable map alone.
 - **Copies of the Form:** [FEMA: Standard Flood Hazard Determination Form and Instructions](#) may be downloaded at the FEMA link shown above. The most recent edition of the form will be used. A copy of the FEMA Form 81-93, SFHDF, must be retained in each borrower's file for the life of the loan.

The information on the SFHDF is important in two ways: first, it provides specific information on a proposal's proximity to floodplains; and second, it certifies the availability of flood insurance for that area. **Proposed construction within floodplains is ineligible by law for all Federal financial assistance unless flood insurance is available through the National Flood Insurance Program (NFIP) in that area (except in areas where no Special Flood Hazard Area (100-year flood plain) has been designated by FEMA.**

The mandatory purchase provisions of the NFIRA of 1994 direct Federally regulated lenders and Federal agency lenders to not make, increase, renew, or extend any loan on applicable property unless flood insurance is purchased and maintained to protect that property securing loans in high flood risk areas. The statutory requirements apply when improved real property (e.g., a building) or manufactured (mobile) home is taken as security for a loan.

You are encouraged to work closely with the State Environmental Coordinator and guaranteed lenders to ensure flood insurance policies and procedures are effectively integrated with loan processing and servicing activities. If you have questions on this AN or other flood insurance issues, please call Linda Rodgers at (202) 720-9647, or Mark Plank at (202) 720-1649.